

JOURNAL OF THE AMERICAN BANKERS' ASSOCIATION

Vol. I

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THIRTY-FOURTH ANNUAL CONVENTION

IT is doubtful if any conclave of bankers ever held in the United States attracted a greater amount of attention on the part of the public and the press than the thirty-fourth Annual Convention of the AMERICAN BANKERS' ASSOCIATION, which was held at Denver, September 28th to October 2d.

While the widespread interest manifested in this year's gathering was due in a large measure to the importance of many of the questions that came up for consideration, it may also be attributed in part to a growing realization of the Association's influence as a moulder of conservative opinion. The membership itself testified to an appreciation of this fact by a goodly attendance, a more general participation in the proceedings than has been witnessed in many years.

The attractiveness of Denver, the grandeur of the surrounding country caused many bankers to include the trip to the Convention city in their vacations, and to take with them the members of their families. There were, therefore, a larger proportion of ladies in attendance than is usually the case.

The first two days of the Convention were devoted to Section and Committee Meetings, and the work of organization. On Monday, September 28th, the Savings Bank Section convened in the ballroom of the Brown Palace Hotel. Rev. Louis Albert Banks, Pastor of the Trinity Methodist Church of Denver, delivered the opening prayer, and the delegates were cordially welcomed by W. T. Ravenscroft, President of the Federal State & Savings Bank of Denver. President Lucius Teter, in his annual address, and Secretary William Hanhart in his report, told of the work of the Section during the past year. After the Executive Committee and the Committees on Uniform Laws, Auditing, and Revision of the Constitution had submitted their reports, Frederick C. Nichols, Treasurer of the Fitchburg (Mass.) Savings Bank, read an instructive paper by Pierre Jay, Bank Commissioner of Massachusetts, on "The Proper Treatment of Savings Deposits when taken by State Banks and Trust Companies." John C. Griswold, Secretary of the Excelsior Savings Bank of New York City, spoke on "The Effect of the Recent Panic on the Eastern Mutual Savings Banks," pointing out the great strength shown by these institutions during the money crisis of 1907.

The report of the Committee on Postal Savings Banks was followed by a general discussion of that question, and also of the deposit guarantee scheme. Resolutions were finally adopted protesting against any plan to make Savings Banks responsible by taxation or assessment for the acts of one another or to connect them with the National Banking System.

The Clearing House Section also met at the Brown Palace Hotel on Monday. After President August Blum had called the meeting to order, Secretary Fred. E. Farnsworth and Sol. Wexler, Chairman of the Executive Committee, read their annual reports.

Alexander Gilbert, President of the New York Clearing House and B. E. Walker, President of the Canadian Bank of Commerce, were called on for speeches, and they responded briefly. William Sherer, Manager of the New York Clearing House, described the great Clearing System of which he is the head, and A. Luria of the Hibernia Bank & Trust Co., New Orleans, delivered an address, illustrated with stereopticon, on "Practical Transit Work by a System of Letters and Numbers."

The meeting of the Trust Company Section on Tuesday was opened with prayer by

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Rev. Frank T. Bayley, Pastor of the Plymouth Congregational Church of Denver. Governor Henry A. Buchtel of Colorado, delivered an address of welcome on behalf of the State and city. Col. Wm. E. Hughes, President of the Continental Trust Company, welcomed the delegates on behalf of the Trust Companies of Denver. President Philip S. Babcock responded to the speeches of the Governor and Col. Hughes; then read his annual address, which like the report of Secretary James R. Branch, which followed, showed the affairs of the Section to be in a highly gratifying condition. The reports of the Executive Committee and the Committee on Protective Laws were then read.

At the afternoon session of the Section, Lawrence L. Gillespie, Vice-President of the Equitable Trust Company, New York, delivered an interesting address on "New York City Trust Companies under Present Legislation," in which he described the recovery of the deposits of the New York City trust companies since the panic. Joseph N. Babcock, Trust Officer of the Trust Company of America, New York, spoke on "Securities Held in Trust, Methods for their Control, and Safeguarding of them from Loss, and for their Proper Accounting." "Radicalism versus Conservatism" was the title of an address by F. H. Fries, President of the Wachovia Loan & Trust Co., Winston-Salem, N. C., who scored the present tendency in the direction of starting the government in the banking business. Breckenridge Jones, President of the Mississippi Valley Trust Co., St. Louis, Mo., spoke on "The Trust Company a Necessity." He contended that a number of National and State Banks were illegally invading the field of Trust Companies.

After a discussion of the Bank Guarantee and Postal Savings Bank propositions, a resolution was adopted in which the Section entered "a protest against the enactment into law by either Federal or State government of any provision, either directly or indirectly, pledging the credit of the country for the guarantee of bank deposits."

The Vice-Presidents of the different States discussed the various new banking and trust company laws, and the discussion then turned to the subject "What Lessons for the Trust Companies were revealed in the 1907 Panic?"

Col. J. D. Powers called the Convention proper to order at 10 o'clock, Wednesday morning. He then introduced Right Rev. Charles S. Olmsted, Episcopal Bishop of Colorado, who delivered the opening prayer. Governor Henry A. Buchtel of Colorado, and Mayor Robert W. Speer of Denver made the addresses of welcome, in which they paid tribute to the patriotism of the banking fraternity, and extended the hospitality of the State and city to the delegates and guests.

President Powers thanked Messrs. Buchtel and Speer for the cordial hospitality that had been found on all sides, and then proceeded with his annual address, in which he attributed the agitation in favor of federal guaranty of bank deposits to the machination of self-seeking politicians.

The report of Secretary Fred. E. Farnsworth told of the remarkable growth in the membership of the American Bankers' Association, while Treasurer A. A. Crane's report showed the finances of the Association to be in a most gratifying condition.

Lewis E. Pierson, Chairman of the Executive Council, submitted a report which related in detail the work of the Council during the fiscal year, and Joseph Chapman, Jr., as Chairman of the American Institute of Banking, recommended that the Institute be made a Section of the parent organization.

The report of the Committee on Uniform Laws expressed the belief of the members that many of the States that have not yet enacted the Negotiable Instruments law, would do so within a short time.

The Auditing Committee suggested certain changes in bookkeeping methods, and the Protective Committee reported further successes in the prosecution of bank criminals.

Several suggestions for the safeguarding of commercial paper were made by the Committee on Credit Information, and the Standing Law Committee and the Committees on Voucher Checks, Uniform Stationery and Tints, and Amendments to the Constitution, all made recommendations relating to the matters of which they had charge.

One of the most important reports was that of the Bill of Lading Committee, of which Mr. Lewis E. Pierson is Chairman. This report covered the work of the Committee during the past year in behalf of a safe and uniform Bill of Lading, and recommended the adoption of a resolution urging all members of the Association, after January 1st, 1909, to refuse to accept for value Bills of Lading that do not come up to the standard required by the Committee. The resolution was adopted unanimously.

B. E. Walker, President of the Canadian Bank of Commerce, Toronto, Ontario, spoke on "Abnormal Features of American Banking," carefully tracing the development of the Nation's banking system from the days of Alexander Hamilton to the present time.

Woodrow Wilson, President of Princeton University, delivered a masterful address on "The Banker and the Nation," advocating a closer relationship between bankers and the public.

Immediately after the adjournment of the first day's session the Organization of Secretaries of State Bankers' Associations held its annual meeting at the Brown Palace Hotel. President S. B. Rankin delivered his address, and the Secretary-Treasurer read his annual reports, after which the following brief addresses were delivered:

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The "Old Guard," Joseph Chapman, Jr., Minneapolis, Minn.; "The American Institute of Banking," Geo. E. Allen, N. Y., Honorary Member; Wyoming; "Our Baby Association"; "More Members than Banks," W. F. Keyser, Missouri; "Continuity of Convention Dates," P. C. Kauffman, Washington; "The Globe Trotter," "Various Conventions I Have Attended," N. P. Gatling, Virginia; "The Association Sign," F. P. Judson, Illinois; "Banking Appliances as Furnished Members by State Associations at Special Prices," W. C. Macfadden, North Dakota; "Diversion," L. P. Hillyer, Georgia; "The Association Paper," Charles L. Engle, Oklahoma; "Association Advertising—Best Method to Reach Members," Wm. B. Hughes, Nebraska; "The Protective Fund," Andrew Smith, Indiana; "Permanent Offices and a Permanent Secretary," W. W. Bowman, Kansas; "Cipher Code," McLane Tilton, Jr., Alabama; "The New Secretary," Guy L. V. Emerson, Colorado; "The Group System," E. O. Eldredge, New York.

The second day's session of the parent body, held on Thursday, was opened with prayer by Rev. Robert F. Coyle, Pastor of the Central Presbyterian Church.

The report of the Currency Commission was then read by Hon. Myron T. Herrick of Cleveland, Ohio. This report covered the work of the Commission during the last Congressional session when the Aldrich, Fowler and Vreeland Bills were up for consideration, and told also of the efforts made in behalf of the Commission's own Currency measure. An interesting debate ensued between the advocates and opponents of a Credit Currency System, but when a vote was taken on the question as to whether the report should be accepted, and the Commission authorized to continue its labors, not a single negative vote was cast.

Alexander Gilbert, President of the New York Clearing House and President of the Market & Fulton National Bank of New York, then delivered an address on "Vital Issues." He defended the course of the New York banks during the panic of 1907, declaring that the members of the New York Clearing House are as intelligent, conservative and patriotic as any body of men in the United States.

Hon. Joseph E. Ransdell, M. C., Louisiana, and President of the Natural Rivers and Harbors Congress, spoke on "Conservation of Natural Resources," explaining the progress that has been made of late in that direction.

At the afternoon session, Festus J. Wade, President of the Mercantile Trust Company of St. Louis, Mo., addressed the Convention on "Guaranty of Bank Deposits," declaring the proposition to be fraught with great danger.

The Federal Legislative Committee, of which Arthur Reynolds of Des Moines, Iowa, is Chairman, then submitted its report, scoring both the Guaranty of Deposits scheme and the Postal Savings Bank proposal. Resolutions condemning the former proposition were incorporated in the report, together with a recommendation that it be adopted by the Convention.

This led up to an animated discussion as to the advisability of adding to the proposed resolution another one, declaring against the Postal Savings Bank proposition. Separate resolutions condemning each scheme were finally adopted, less than a dozen votes being cast against either resolution.

The Roll Call of the various States, to which the State Vice-President responded, afforded an excellent opportunity to the delegate to learn of business conditions throughout the country. In every case the States reported a great improvement both in financial and commercial lines, while the commonwealths possessing large agricultural interests made an especially gratifying showing.

A resolution expressing the thanks of the Convention for the hospitality and courtesy that had been shown on all sides was adopted unanimously by a standing vote.

The retiring President, Col. Powers, was presented with a handsome silver service, and the Secretary and his force were thanked for their earnest work during the year.

The Entertainments incidental to the Convention were of a high order. On Monday, September 28th, the members of the Executive Council were given a banquet at the Denver Club by the Bankers of Denver.

On Wednesday there was a reception with dancing at the El Jebel Temple.

A sight-seeing automobile ride for the ladies was conducted through the city on Thursday.

On Friday an all-day trip was given over the Moffat Road, one of the most famous scenic routes and greatest engineering achievements in the world. The party, which was divided into four trains, each one composed of from five to eight cars, was taken to the crest of the Continental Divide, a box lunch being served en route.

In addition to these general entertainments, bankers in other parts of Colorado, extended invitations to visit their respective communities, and a number of delegates and their families took advantage of these opportunities to see the scenic wonders of the State.

RESOLUTIONS ADOPTED AT DENVER

THE following RESOLUTIONS were unanimously adopted at the Denver Convention.

GUARANTY OF DEPOSITS.

Resolved, That the American Bankers' Association is unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits, either by a State or the Nation, for the following reasons:—

1. It is a function outside of State or National Government.
2. It is unsound in principle.
3. It is impractical and misleading.
4. It is revolutionary in character.
5. It is subversive to sound economics.
6. It will lower the standard of our present banking system.
7. Productive of and encourages bad banking.
8. It is a delusion that a tax upon the strong will prevent failures of the weak.
9. It discredits honesty, ability and conservatism.
10. A loss suffered by one bank jeopardizes all banks.
11. The public must eventually pay the tax.
12. It will cause and not avert panics.

Resolved, That the American Bankers' Association is unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits either by a State or the Nation, believing it to be impractical, unsound and misleading, revolutionary in character and subversive to sound economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interests of the people.

POSTAL SAVINGS BANKS.

Resolved, That it is the sense of this Association that we should condemn in unqualified terms the proposition for the establishment of Postal Savings Banks or any other system by which the government enters directly into banking relations with the people.

BILLS OF LADING.

Whereas the Bill of Lading Committee of the Association has, since its appointment, been engaged in endeavoring to secure the acceptance by all parties at interest of a uniform form of order Bill of Lading.

And Whereas it is manifestly most difficult to secure the approval of shippers, carriers and bankers to a form which would be ideal from the point of view of any single interest.

And Whereas the Interstate Commerce Commission on June 27, 1908, approved and recommended the adoption and use by all carriers subject to the act to regulate commerce, from and after the first day of September, 1908, of two uniform Bills of Lading, one an "order bill" to be printed on yellow paper and the other a straight bill to be printed on white paper, the order bill and straight bill differing only on the front page thereof, the conditions on the back being the same in both cases.

And Whereas these bills have only been recommended after years of study and negotiation between a committee of carriers and a committee of shippers appointed at the instance of the Interstate Commerce Commission, and working in conference with that body, and in the conferences and negotiations leading up to the final agreement upon such bills the representatives of the bankers have taken considerable part, and such bills embody the amendments suggested by the Bill of Lading Committee of this Association.

And Whereas the uniform Bill of Lading Committee of the Carriers in Official Classification Territory have instructed that carriers in such territory "should arrange to employ

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the new forms exclusively on and after November 1, 1908," and have also transmitted these forms to all other carriers subject to the act to regulate commerce outside of Official Classification Territory with the suggestion that these forms shall be adopted "in order that the greatest degree of uniformity in the usage of Bills of Lading shall be obtained." Therefore be it

Resolved, That the American Bankers' Association desires to express its hearty appreciation of the action taken by the Interstate Commerce Commission, and further that it recommends to its members that after January 1, 1909, they only handle for value either order Bills of Lading issued by carriers in the United States on forms recommended by the Interstate Commerce Commission as order Bills of Lading and as described in the above preamble; or the so-called "clean" order Bill of Lading, without conditions, being the form recommended by the National Industrial Traffic League to the Interstate Commerce Commission on October 15, 1907.

CIPHER CODE

MEMBERS who have not already sent to the Secretary's office the receipt card, enclosed in the cipher code recently sent them, are kindly requested to do so. Immediate attention to this matter will be appreciated as it will greatly facilitate the completion of our records in connection with same.

A QUANTITY of the following currency documents is on hand in the Secretary's office. If any of our members want copies with which to do educational work, we will be pleased to send them on advice to that effect:

Report of The Currency Commission of the American Bankers' Association.

Report of Currency Commission of American Bankers' Association, made at a meeting held at Chicago, Saturday, January 18, 1908.

Statement of Currency Commission of American Bankers' Association, presented to House Committee on Banking and Currency, at Washington, D. C., Wednesday, April 15, 1908.

Credit Currency. By Elmer H. Youngman, Editor *Bankers' Magazine*.

Address of Hon. Charles N. Fowler, Chairman Committee on Banking and Currency, on the Financial Situation, before The Illinois Manufacturers' Association, at Chicago, December 10, 1907.

Guaranty of National Bank Deposits. By James B. Forgan, President First National Bank, Chicago, Illinois, before the Annual Meeting of Group Two of the Bankers' Association of the State of Illinois, held at Peoria, June 11, 1908.

Hearings and Arguments Before the Committee on Banking and Currency of the House of Representatives on Proposed Currency Legislation, Fifty-ninth Congress, Second Session, 1906-7.

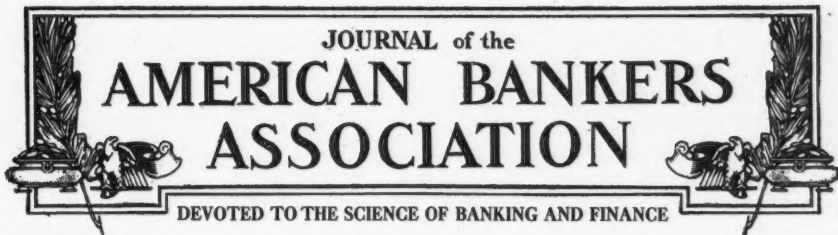


JOURNAL OF THE AMERICAN BANKERS' ASSOCIATION

THE offices of the Association, being so centrally located in the financial district—corner Nassau and Pine Streets—make a very convenient place for members and their friends to meet when in New York. One of the large offices has been fitted up as a library and reading room, in which are kept on file the financial papers of the country and other current literature. Every facility has been provided for correspondence, and the Association's stenographers are at the service of the members, who can have their mail and telegrams sent in care of the office. The Association telephone is also at their service when they wish to communicate with the banks or their friends. The members are cordially invited to avail themselves of these privileges, and it is very much hoped they will do so.

The following visitors registered during the month of September:

DAVID W. ARMSTRONG, Jr., Secretary, National Surety Co., New York.
ORLA B. TAYLOR, Director, Home Savings Bank, Detroit, Mich.
WILLIAM HERBERT, William Herbert & Co., New York City, N. Y.
WILLIAM M. HILL, Cashier, National State Bank, Richmond, Va.
E. R. FANCHER, Cashier, Union National Bank, Cleveland, Ohio.
THOS. CHURCH, Secretary, Banks in West Australia, Perth, West Australia.
W. E. SPRAGUE, President, First National Bank, Roscoe, N. Y.
CLEMENT CHASE, Editor, *Western Banker*, Omaha, Neb.
A. B. HUYSSOON, Treasurer, Silk City Safe Deposit & Trust Co., Paterson, N. J.
CHARLES R. GREENE, Detroit, Mich.
WALDO NEWCOMER, President, National Exchange Bank, Baltimore, Md.
T. F. McHALE, Assistant Principal, I. C. S., School of Banking, Scranton, Pa.
J. H. HASS, Cashier, Scott Co. Savings Bank, Davenport, Iowa.
J. ELWOOD COX, President, Commercial National Bank, High Point, N. C.
JAMES C. HALLOCK, Brooklyn, N. Y.
C. T. HERNDON, New York City, N. Y.
JOHN T. DISMUKES, President, First National Bank, St. Augustine, Fla.
ALEX. GILBERT, President, Market & Fulton National Bank, New York City, N. Y.
GEORGE M. REYNOLDS, President, Continental National Bank, Chicago, Ill.
JOHN G. MATOS, JR., President, Bank of Centerville, Centerville, Cal.
WILLIAM BABCOCK, New York City, N. Y.
W. L. CHENEY, Assistant Cashier, Wisconsin National Bank, Milwaukee, Wis.
W. R. BARNET, Passenger Agent, N. Y. Central Lines, New York City, N. Y.
L. W. PARTRIDGE, Detroit, Mich.
M. Q. BAKER, President, Coshocton National Bank, Coshocton, Ohio.
WM. A. WILCOX, Trust Officer, Scranton Trust Co., Scranton, Pa.



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FRED. E. FARNSWORTH, PUBLISHER
Secretary American Bankers' Association

THOMAS B. PATON, EDITOR
General Counsel American Bankers' Association

W. W. WAINE, ASSOCIATE EDITOR

THE DENVER CONVENTION

THE Convention just held at Denver was most successful and satisfying, not only in point of attendance, but in work accomplished and hospitality enjoyed. Beginning Monday and Tuesday with the meetings of the Sections and of a number of important Committees, followed Wednesday and Thursday by the general Convention, the week was a most busy one—the entire region from the Brown Palace Hotel, where the headquarters were located, to the Auditorium where the Convention was held, was a veritable hive of human activity—and finally, the work of the delegates being ended, their labors were crowned by a mountain trip amidst scenes of great beauty and grandeur, ever circling higher and higher, through canyons, along the brink of precipices, with visions of snow-capped crags and peaks, vegetation becoming rarer and rarer and then left behind entirely, and at last the summit, a trip at once thrilling, glorious and refreshing. Too much cannot be said of the genuine hospitality of the bankers and people of Denver, and the delegates and visitors who attended the last annual Convention of the American Bankers' Association will long remember with pleasure their visit to that famous city.

Probably the most important action taken by the Convention was its emphatic disapproval of the proposition for the guaranty of bank deposits. In a strong resolution, adopted in trumpet tones, the Association proclaims to the world that it is unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits, either by state or nation, giving strong reasons for its disapproval. Hardly less emphatic was its condemnation of the proposition for the establishment of postal savings banks or any other system by which the Government enters directly into banking relations with the people. The discussion of guaranty of deposits somewhat overshadowed the subject of currency reform. Upon this, the Currency Commission submitted its report showing the progress made; and after discussion the report was approved and the Committee continued.

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The Convention adopted unanimously the amendments to the Constitution of the Association which had been prepared by its Committee on Revision. The work of this Committee in straightening out the old Constitution and amending it in certain necessary particulars was well done and thoroughly understood and no time was wasted in the discussion of technicalities. The important work of the Committee on Bills of Lading was presented to the Convention and full appreciation shown. The reports of all the other Committees showed satisfactory progress in their various lines of endeavor.

All the Addresses delivered at the Convention were well received and made the subject of much favorable comment. The address of Mr. Walker of Canada on "Abnormal Features of American Banking" presented the Convention with much food for reflection, while Professor Wilson's address upon "The Banker and the Nation" took the banker, so to speak, out of his rut and led him to think of the other side of the picture, from the viewpoint of the general public which deals with the bank. Mr. Gilbert, President of the New York Clearing House, bore a most instructive message from the banks of New York to bankers elsewhere in the nation, explaining in detail how the New York banks were placed in the recent panic and demonstrating the wisdom of all their actions. Congressman Ransdell of Louisiana enlisted the interest of the bankers in the Conservation of our Natural Resources, showing how vital the problem is to the general prosperity. His address made a strong impression. Mr. Wade of St. Louis made a very telling address in opposition to the Guaranty of Bank Deposits, this preceding the report of the Federal Legislative Committee on this subject and the general discussion resulting in the condemnatory resolutions.

The meetings of the Savings Bank Section, the Trust Company Section and the Clearing House Section were all well attended and much important business was transacted, and this is also true of the side meetings of certain of the Committees, especially the Committee on Bills of Lading and the Standing Law Committee, which were, in a way, Conventions in themselves and at which many subjects of importance were discussed and important action planned.

All in all, the Denver Convention of 1908 is one which will long be remembered as marking an important era in the progress of the American Bankers' Association.

At the close of the Convention the 2,000 delegates and visitors scattered throughout the State. Those who went to Colorado Springs combined education with pleasure; for there, as guests of the Chamber of Commerce and the Clearing House Association, they were given an opportunity to learn how gold is really made.

The Portland, United States and Golden Cycle gold reduction plants were thrown open for their inspection, and they were shown every detail of the complicated series of processes by which the grayish rock is transformed into yellow bricks. Both the chlorination and cyanide processes were explained. While the bankers were here more than \$100,000 in gold was melted up.

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In Cripple Creek, which was visited by the great majority of the delegations, many of which had arranged for special trips over "The Short Line," the principal mines of the district made arrangements whereby the visitors might inspect the underground workings and see how the ore is handled from the time it is mined until it reaches the reduction plant.

An interesting feature of the stay of the bankers in Colorado Springs was the exhibition of ten gold bricks, worth \$150,000, at the First National Bank.

(From the Detroit Free Press)

BANKING BY HUMAN TOUCH

INSTITUTION REVOLUTIONIZED METHODS AND PROSPERED THEREBY

LET me illustrate how the changes have been brought about by telling the story of two or three great banks. One whose business has now grown to national proportions some years ago learned the lesson that assets do not take the place of friends. Everyone knew that it was a strong bank, but notwithstanding a yearly showing of large profits it could not attract out-of-town accounts. Other banks with smaller resources did ten times the out-of-town business. The problem was studied in a practical way. It was found that the large bank with its great resources was a forbidding place, where everybody received a chilling reception. It earned dividends, but it turned away friends. When a country correspondent paid it a visit he was looked on with suspicion and questioned about his business standing. No one called on him at his hotel or showed the slightest interest in his personal affairs.

The bank's staff was complete except for the absence of a "specialist in the art of making friends." Such a man was employed and put in charge of the out-of-town department. He reorganized everything, shattering rules and violating traditions. Then he turned his office into an information bureau for the accommodation of visitors. He studied the needs of the bank's correspondents, noted the subjects they were interested in and had a pleasant word for everyone who called. He acquired the "convention habit" and went wherever bankers congregated. That strengthened his connections and made his institution known throughout the United States. The effect was magical. Business poured in from all sections until the volume of out-of-town accounts surpassed all previous records.

That done, the bank organized itself into "a financial department store." It advised correspondents that anything desired in New York could be obtained by telegraph without expense to the purchasers beyond the actual outlay. One correspondent bank reported a scarcity of female labor and asked to have nine servant girls secured and shipped west at once. They went the next day. Another asked to have flowers sent to a friend aboard a departing steamer. That order was filled. A western bank wanted its New York correspondent to intercede with the customs officials to expedite the arrival of a friend aboard an incoming steamer. It saved the traveler two hours' delay. Another bank requested that the New York institution attend to the comfort of a friend who was to undergo a serious operation at a hospital. That was done. Others sent dry goods to be exchanged, wanted the bank to buy wedding gifts and to see to the transportation of friends from one railroad station to another. All these things involved the expense of money, labor and energy. But they were worth while.—*World's Work*.

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(From the Wall Street Journal)

REVIEW AND OUTLOOK

MONOPOLY OR BANKRUPTCY

PERHAPS the most elaborate argument made in behalf of the plan of guaranteeing bank deposits was that delivered by John A. Pitts before the Bankers' Association of Tennessee. We have read Mr. Pitts' argument with great interest, all the more so because he has attempted to deal with the subject in a scientific spirit and with an entire absence of political bias.

But after reading the argument one leaves it with a feeling that the convincing note has not been struck. There is much, indeed, that is plausible and really fascinating about this idea of guaranteeing bank deposits. It is not surprising, all things considered, that a good many laymen and some bankers favor the plan, nor is it surprising that some politicians have seized upon it as an issue by which they may gain votes. It took Mr. Pitts 14,000 words to present his arguments in favor of the guarantee of deposits, and it is not feasible within a few hundred words fully to expose the fallacy of his 14,000-word argument.

Let us suppose, for sake of argument, that Mr. Pitts were one of five brothers, that four of the five brothers were law-abiding, industrious, sober citizens, but that one of the brothers was intemperate, improvident and continually running into debt. Let it be supposed further that the State of Tennessee passed a law providing that the four sober, industrious brothers who paid their bills and fulfilled all their duties of citizens, should be held pecuniarily responsible for their spendthrift brother, that the four should pay his bills and see that no merchant suffered loss by reason of his extravagances and alcoholic indulgences.

Would that be fair; would it be wholesome; would it be in the public interest?

It may be said, however, that under such conditions and under such law it would be the right and duty of the four good brothers, with the aid of the police power of the State, to prevent the fifth brother from going wrong, and that if he continued to go wrong he should be shut up in jail.

Now apply this to the banking business. The proposed guarantee of deposits practically says to the good banks, you must be held responsible for the weak and dishonest banks, and if any bank goes wrong and fails to pay its depositors, you must be taxed for the benefit of the depositors in the bad banks.

Is that fair or wholesome and, in the long run, would it be for the benefit of the country?

But it is argued that the good banks, with the aid of the full power of the Government, should have the right of rigid regulation over all the banks so as to prevent any bank from going wrong. Now, what does all that point to? There can be no successful guarantee of deposits unless there are such restrictions upon banks and such a power of examination over banks as shall amount practically to either a Government or a private banking monopoly. The banks of New York and Chicago may be said, in a sense, to guarantee each other through their clearing houses; that is to say, the strength of all is up to a certain point behind each. But this results in making these clearing houses two colossal banking combinations into which it is difficult for any independent bank to enter except upon terms which the clearing houses themselves impose.

Without practical monopoly and without complete power of regulation of each individual bank, the guarantee of bank deposits would inevitably result in such looseness and criminality of banking methods on the part of many banks as to involve the possibility of general banking anarchy. George A. Allen has most tersely and admirably put the matter as follows:

"The guarantee of bank deposits involves either one of two things: First, monopoly, or second, general bankruptcy."

It may be added that it is not right to impose responsibility without conferring corresponding power. If by a tax you propose to make all banks responsible for the losses of any bank, you must at the same time give all the banks power of control over the individual bank. If you want to preserve the independence and competition of banks, you can't adopt a scheme that in operation would destroy that independence and competition. Mr. Bryan is an anti-monopolist, and yet unconsciously he is advocating monopoly in advocating the guarantee of deposits.

LEGAL DEPARTMENT

THOMAS B. PATON · GENERAL COUNSEL

INSURANCE AGAINST BANK BURGLARY

THE articles in the July and August numbers of the JOURNAL, based on a burglary loss by a bank in Kentucky, payment of which was refused by the insuring company, served to bring to the attention of our members the fact that, under existing forms of bank burglary policies, no insurance is provided against loss from what may be termed "night hold-ups," covering methods of burglary other than by the use of tools and explosives directly upon the safe.

As a result, numerous letters have been received from members throughout the country expressing appreciation of the value of these articles in revealing deficiencies, not heretofore realized, in bank burglary insurance policies and also the desire that the Association take appropriate action. In the August JOURNAL we suggested that the American Bankers' Association might take the matter up and, probably by a special committee, "design and procure the adoption of a standard form of bank burglary policy which would adequately cover all kinds of loss suffered at the hands of burglars." The subject was brought before the Executive Council of the Association at its meeting just held in Denver and the matter was placed in charge of the General Counsel and the Standing Law Committee. In the prosecution of this work by committee and counsel, suggestions will be welcomed concerning features, other than night hold-ups, which may call for remedy.

The publication of the articles in the July and August numbers has also called forth an expression of opinion from the viewpoint of certain of the surety companies; and that the discussion may be carried on in no narrow or illiberal spirit, but that the utmost fairness be shown and consideration be given the subject from all standpoints, we present below certain communications which have been received which give the surety companies' side of the case. It may be premised, however, that the companies do not all think alike on the proposition, for while certain companies contend that the bank has all the insurance it needs with the present form of policy and that the contract should not be extended to cover the kind of loss disclosed in the Kentucky case, two companies, at all events, think differently and, expressing their belief that losses of the character in question should be covered, have already amended their bank burglary policies by the addition of a clause which extends the insurance to cover (we quote the contract of one of these companies) "direct loss by robbery . . . caused by burglars or robbers compelling by force or violence any officer or employee of the bank to open the safe or vault at any hour of the day or night during the term of this policy."

THE CONTENTION THAT NIGHT HOLD-UPS SHOULD NOT BE INSURED.

The following communication, in support of the contention that existing policies are sufficient for the bankers' needs, without amendment, and that night-hold-ups should not be included in the insurance contract has been received from the manager of the burglary department of the company which insured the Kentucky bank in the case which gave rise to the discussion:

DEAR SIR: I have read with the greatest amount of interest your very able articles entitled, "Insurance against Burglary," and "Insurance Protection against Night Hold-ups," appearing respectively in the July and August issues of your splendid publication. Your paper is a welcome addition to our files and it gave us great pleasure to subscribe at once; however, I think since you have undertaken to educate the banker up to the proper Burglary and Hold-up

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policy to be secured, that you ought to explain at the moment the proposition as the Insurance Companies see it. I believe the vast majority of bankers reading your articles would at once come to the conclusion that either the Insurance Companies have been furnishing insurance that did not insure or that they had something coming to them in the way of much needed protection against hold-up after hours which had been withheld, when, as a matter of fact, neither is the case. Allow me to explain. Our policy covers a bank against hold-up during its regular business hours, including one hour prior and subsequent to the opening and closing of the bank, and against safe burglary during the entire twenty-four hours, provided entry is made into the safe by use of tools or explosives directly thereupon, as well as all damage to safe or safes, vault, furniture, fixtures and premises that may be caused by burglarious attack. Now, quoting from your second article that, first, "It would seem, therefore, that a large part of the burglary insurance now in force does not adequately protect the banks of the country against all kinds of burglary," and second, "It would seem to follow that the American Bankers' Association should take this matter up and, probably by a special Committee, design and procure the adoption of a standard form of bank burglary policy which would adequately cover all kinds of loss suffered at the hands of burglars,"—I would say in answer to your first remark, that under our policy (and the policies issued by the other Companies are about the same), that the only possible loss that could occur and not be covered is one identical with the Kentucky case, but here is where I want to point out to you the insurance end. When we insure a bank we expect it to get a good safe—a safe that affords a fair amount of burglary protection, and that kind of safe in 99 out of 100 cases has a time lock which makes it impossible for anyone knowing the combination to go back after business hours, whether through compulsion or of their own volition, and plunder the bank; so since our policy covers a bank against hold-up during its regular business hours, including one hour prior and subsequent to the opening and closing of the bank (plenty of time for the bank to complete all work which necessitates the safe being left open) if any of our Assured will keep or set their time lock in accordance with the above hours they have just what is wanted, viz., complete protection during the entire twenty-four hours against safe burglary and hold-up. Then, further, suppose some insurance company did agree, time lock or no time lock, and it is fair to suppose that the Kentucky bank's safe did not have one and is, therefore, the exception that proves the rule, to reimburse a bank for such losses, wouldn't it be encroaching on the rights of the surety companies doing a bonding business, since such a loss has the earmarks of collusion from the inside, or dishonesty of one of the employees, and, what is more to the point, inviting fraud or dishonesty on the part of the employees of the bank or outside parties who might happen to know the combination.

How easy it would be for some officer or employee of the bank, strapped for money or through greed alone, who knowing the combination and very probably living in the bank building—and alone as it happens in some cases in small towns—to draw on his imagination a little, fake up a good story and fix matters so that it would look as though he had actually been held up, the robbers coming and going in the night when the town was asleep. There would, of course, be the usual investigation by the insurance company, and in all probability a prompt payment of the loss, and if the guilty party sticks to his story he ought to be secure. The directors of the bank would be satisfied, they had been reimbursed, the insurance was a good thing, the thief satisfied with his money, and the insurance company satisfied that the loss was one incidental to the business. We, therefore, say that the banker has all the insurance he needs with the present policy and would respectfully suggest that you, if you continue your discussion, give the insurance companies their day in court and point out that no well-run or well-equipped bank should be without a time lock on the safe or vault containing its funds. We find that most banks, particularly new banks starting in a small way, buy second-hand safes, sometimes without time locks. They do not know how many people have had access to the safe before it fell into their hands, yet it is rare that they request that the combination numbers be changed—another argument for time locks.

In answer to your second remark, I take the liberty of suggesting that you go ahead with the work, and you can be assured of hearty co-operation from the insurance companies. As far as we are concerned, I would gladly offer to meet your committee, or meet your committee while acting on a committee representing the insurance companies, and not only do all in my power to help the work along, but go further and try to make every insurance company adopt the Association's form. We wish to work hand in glove with the bankers of the country and I know I voice the sentiment of all right-minded burglary underwriters.

In conclusion I would repeat I hope you will see that we are set right before the banking fraternity and let them know that they now have insurance that insures and complete protection if they have a time lock.

Hoping you will pardon the length of this letter, but assuring you that your articles have been read very carefully by your bankers, and they have made many inquiries of us which I thought had well been answered through your columns by another article throwing more light on the subject, I am,

Yours very respectfully,

_____, Manager.

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In brief, this communication is to the effect that the existing burglary policy covers every possible loss except night hold-ups of the character shown in the Kentucky case; that such kinds of loss are impossible where there is a time lock and that it is the duty of every bank to have a safe with a time lock, which would preclude the necessity of insuring against this kind of loss; that it should not be the policy of the companies to insure a bank which had no time lock against this kind of loss, because it would open the door to, and make the company the victim of dishonesty on the part of any bank employee who, having the combination, could rifle the safe and then concoct a plausible story of hold-up which it would be difficult, if not impossible, for the company to disprove, and, furthermore, that such insurance would be encroaching upon the field of the fidelity bonding company; in short, that the kind of loss now uncovered should be provided against by time lock and not by burglary policy, as being fairer to the insurer, imposing no undue hardship on the bank, namely, to provide a time lock, and keeping the door shut against those who, having the combination, might otherwise be tempted to loot the safe and charge the crime to imaginary burglars. With this is coupled the desire to co-operate in an effort to have every company adopt a standard form of burglary policy which may be prescribed by the American Bankers' Association after negotiation and agreement with the companies.

In addition to the above communication, the Superintendent of the burglary department of another company, which does a large bank burglary insurance business, has made a verbal statement to General Counsel along the same lines, which may be thus summarized: That the publication of the articles on burglary insurance was rather ill-advised and has had a tendency to make the bankers of the country unnecessarily dissatisfied with their burglary insurance contracts; that the risk of insuring against night hold-ups where there is no time lock, is that of dishonesty, i. e., burglary companies would have no protection against a dishonest cashier who testified, or might even get his family or witnesses to testify in collusion, that he had been forced by burglars to open the safe when in fact no burglars existed and the safe was pilfered by the cashier himself; that safes with or without time locks are at the mercy of burglars with explosives, but this risk is covered by existing insurance; where there is no time lock the reason why the loss is not covered is because of the moral risk of dishonesty; furthermore, that the banks should use discrimination in dealing with companies between those of long standing, whose business has been built up as the result of years of experience and whose rates have been established on a fair basis as the result of such experience, and newer companies of less capital and experience who offer lower rates without really knowing what they are doing.

THE BANKERS' CONTENTION THAT NIGHT HOLD-UPS SHOULD BE INSURED.

The above views on behalf of certain of the leading surety companies present squarely the issue between the contention, advanced through the JOURNAL, that night hold-ups should be covered by contracts of burglary insurance, and the attitude taken by these companies that losses of this character should not be so covered, owing to the moral risk, but that the protection should be derived through the universal adoption of time locks which would preclude the possibility of a person having the combination opening the safe, whether of his own volition or by compulsion, and obviate the necessity of such insurance.

We are inclined to the view that too much stress is laid on the moral risk. Fire insurance companies, for example, take the same moral risk every time they insure property against fire and while they occasionally suffer and pay a loss to an incendiary, this fact does not deter these companies from making such insurances. It would be only in rare cases where a dishonest cashier or other dishonest person having the combination would, instead of abstracting the funds and ab-

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scorning or concealing his embezzlements by manipulation of the books and accounts, attempt, after pilfering the safe, to face the music by an improbable story of coercion by burglars. Such a false story could, in the light of surrounding circumstances, almost invariably be disproved and the loss shown to be one which the fidelity and not the burglary company must bear; and we think the numerous banks of the country which have not yet adopted the time lock and who pay for burglary insurance should be protected where, as happened in the Kentucky case, and may happen again, an honest cashier is forced by burglars to open the safe in the night-time and allow removal of the contents.

This view is fortified by the fact that two of the companies writing burglary insurance have, as we have already said, in view of the articles published in the July and August numbers, expressed their opinion that losses of this kind should be covered and have taken the initiative in amending their existing policies by the addition of a rider insuring the banks which hold their policies against such kind of losses. We publish below the letter of one of these companies to the Association announcing its action and enclosing a copy of the contract which it has voluntarily added to its policies:

DEAR SIR: In Nos. 1 and 2, Volume I, of the JOURNAL OF THE AMERICAN BANKERS' ASSOCIATION, considerable space is devoted to the discussion of a claim under a burglary policy, payment of which was refused by the company on the ground that the loss occurred in a manner not covered by the terms of the policy contract. We have no criticism to make of the position taken by the company in question, as the terms of the contract are plain, but we do believe that losses occurring in the manner of the one in question should be covered under the terms of the policy contract. We have, therefore, in recognition of the demand from our fellow members of the American Bankers' Association, and on account of the large patronage which we enjoy through those State Associations which have made contracts with this company, amended our form to cover losses of the kind in question. A copy of the amendment is enclosed herewith for your information.

It is impossible always to foresee every contingency under which a proper claim may arise. It is the endeavor of this Company, however, to deal justly, and even liberally, with the honest claimant, whether or not the claim falls strictly within the terms of the written contract, but it is manifestly to the advantage of the assured to have a contract sufficiently broad in its terms to cover, rather than to trust entirely to the liberality of any company in the construction of the contract. It is, of course, necessary that the companies should incorporate in their policies certain clauses which will defeat fictitious or fraudulent claims, but the honest claimant, as a rule, has nothing to fear in dealing with a company which has an established reputation for liberal treatment of its patrons.

I am addressing you because I believe you will find the extension of our policy form of sufficient interest to bring to the attention of the members in the next issue of the Journal. I beg to remain

Yours very truly,

_____, Secretary.

The following is the amendment enclosed:

HOLD-UP EXTENSION
The Insurance under this policy is hereby extended to cover DIRECT LOSS BY ROBBERY of money, bullion, bank notes (signed or unsigned), checks, uncanceled postage and revenue stamps, express, postal and bank money orders, bonds, debentures, negotiable securities, certificates of stock, demand and time drafts, promissory notes (not overdue), caused by burglars or robbers compelling by force and violence any officer or employe of the bank to open the safe or vault at any hour of the day or night during the term of this policy.

This endorsement when countersigned by a duly authorized agent of the company and attached to Policy No. _____ issued to _____ of _____ shall be valid and shall form part of said policy.

Countersigned at..... Company
this.....day of.....190.....President.
by.....Secretary.
.....Authorized Agent

Our readers will be kept advised of the progress made in the movement for an Association standard form of bank burglary policy.

A CASE UNDER A FIDELITY BOND

THE following communication has been received from a National Bank in Baltimore:

In a recent article in your JOURNAL referring to Fidelity and Burglary Insurance and the insurance companies evading payment by technicalities, I wish to give you our experience with the _____ Company of _____ Maryland.

We last year suffered a loss by a defaulting cashier, and I will give you two instances among others, for which we made claim on his bond of \$10,000.

(1) A deposit of \$4,500 was made by a certain party to guarantee the completion of certain buildings, said deposit to be subject to a check signed by the attorney for depositor, the builder, and countersigned by our cashier, who, we afterward discovered, was a partner of the builder. The cashier, without the signature of the attorney for the depositor or his own counter-signature, cashed a check for \$4,500 later and used the proceeds for his own purposes. The bank was subsequently compelled to pay back this \$4,500 to the depositor.

(2) The second instance was where a customer had left with the cashier three checks, amounting to \$4,000, to pay three discounts of his when they came due, the checks drawn payable to "note." The cashier cashed these checks and put them to his own use, and the customer looks to the bank for settlement.

The bank made claim on the _____ Company and was told that they were not liable, as larceny or embezzlement was not committed. The clause in their bond is as follows: "That the Company shall, at the expiration of three months _____, make good, and reimburse to said employer such pecuniary loss as may be sustained by the employer by larceny or embezzlement committed by the said employee"——.

This bank and all banks buy fidelity insurance and when loss is suffered expect reimbursement. This Company issues such policies as these with the purpose known to them beforehand, as I believe, of deceiving bank officials, collecting the premium and when a loss occurs denying liability.

I am certain that very few bank officials have scrutinized their bonds closely or handed them to their attorneys for inspection, for if this were done by every bank in the country, I am sure the loss of premium to bonding companies issuing such bonds would run into millions.

Every bond I buy shall in the future be subject to the rigid inspection of our lawyers. I hope you will give this the publicity it deserves.

We believe the facts stated in instance number one would constitute embezzlement within the terms of the bond. The funds of the bank, lawfully in the custody of the cashier or under his power of disposition, were wrongfully appropriated by him to his own use. This constitutes embezzlement within the meaning of the National Bank Act as construed by the Federal courts (U. S. v. Harper, 33 Fed. 471-474), and the contract of the fidelity company being with a national bank, it is to be presumed that the term "embezzlement" therein used has relation to the term as used in the National Bank Act and defined by the Federal courts. Concerning instance number two, there is more question, depending upon whether the money which the cashier put to his own use belonged to the customer or to the bank.

The object of this note is not, however, to present any discussion of the legal rights of the bank in this particular case. It is simply to make public the facts, as requested, which will serve to call to the attention of members of the Association that a fidelity policy which merely insures against "larceny or embezzlement" by an officer or employee, is too narrow or restricted for full protection. All embezzlements are breaches of trust, but all breaches of trust are not embezzlements. There may be many cases of wrongful appropriation of funds which such a form of policy would not cover or, at all events, would be contested by the Companies where a broader or more liberal policy would be paid without question.

In this connection, attention is called to the American Bankers' Association standard form of fidelity bond, which was copyrighted in 1899, and is issued only

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to members of the Association in accordance with license granted the Companies. Under this bond the Company

covenants and agrees to and with the Employer that it will, at the expiration of three months after proofs of loss shall have been furnished to the Company, pay to the Employer the amount of any loss or damage that shall happen to the Employer, in respect of any funds, property or estate belonging to or in the custody of the Employer, through the dishonesty of any of the Employees, or through any act of omission or commission of any of the Employees, done or omitted in bad faith, and not through mere negligence, incompetency or any error of judgment, and whether such dishonesty or such act of omission or commission occurs in the performance of any duty or trust specially assigned to such Employee or occurs otherwise; subject, however, to the following provisions and agreements——etc.

This clause, it is seen, is much broader than the clause in the policy of the Maryland company. Instead of covering losses resulting from larceny or embezzlement solely, it extends the insurance to losses caused by any act of dishonesty or bad faith of the employee, either of omission or commission with the exception of negligence, incompetency or error of judgment, and it insures against all such dishonest acts of the employee whether occurring in the performance of any special assignment of duty or otherwise. This form of bond will be found far more preferable than the one issued by the Company in the case in question.

OPINIONS

Summary of Questions Received and Opinions Rendered to Members of the Association

PRIORITY BETWEEN MORTGAGE AND MECHANIC'S LIEN

In absence of statute a prior recorded mortgage takes precedence over a subsequent mechanic's lien.

FROM NORTH CAROLINA.—A bank loans a party some money on a piece of improved real estate. The mortgage is duly docketed and recorded. Subsequently, the owner of the property has certain improvements made upon the house. He fails to pay for some of the labor, or material, or both, in this new work. Being unable to collect his dues, the laborer, within the time prescribed by law, to wit: six months, files and records a Laborer's Lien. The property is sold but does not bring more than sufficient to liquidate the original mortgage indebtedness. This being the case, does the lien take priority of the mortgage?

At common law, a prior recorded mortgage takes precedence over a subsequent mechanic's lien. But there are statutes in some of the states which provide that a mechanic's lien has priority as to the building or other improvements over all other liens, mortgages and incumbrances, whether prior or subsequent. I do not, however, find such a statute in North Carolina and would therefore answer that in your particular case, the laborer's lien does not take priority of the mortgage.

ACCEPTANCE OF CHECK BY WIRE

Bank cashing check upon another bank on faith of telegram by drawee that it will pay check can hold latter as acceptor.

FROM OKLAHOMA.—A comes into B bank and asks B to cash a check for him of \$400. B informs A that he cannot do so without A's bank wiring that they will pay it.

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Thereupon, A wires his bank to wire B that they will pay A's check for \$400, which they do. B paid A the money on the check, but the bank upon which it was drawn refuses to pay it. What is B's remedy?

I take it that the check of A for \$400 which A's bank wired B they would pay was drawn on A's bank. If it was drawn on some other bank, another principle would be involved. Being drawn on A's bank, the telegram by the latter upon faith of which B bank advanced the \$400 would be binding on A's bank as an acceptance of the check. B's remedy, therefore, would be against A's bank as acceptor and A would also be liable as drawer, assuming he was properly charged.

PAYMENT OF RAISED CHECK

Drawee entitled to recover from person receiving payment.

FROM PENNSYLVANIA.—On June 30, 1908, we received in a remittance letter from the N Bank of K, Pa., a check listed \$80.25 made by A, payable to order of G, indorsed by G, also by O and by the latter deposited in a trust company. On August 10, we balanced A's pass-book, and on receipt of same he wrote us saying that the check in question had been raised from \$8.25 to \$80.25 and that there was little doubt but that G had done it. The check was raised so cleverly that no one would feel sure that it had been touched, even if their attention had been called to it. We immediately charged the check to the N bank of K, Pa., and returned it, giving the particulars and stating that we would pay \$8.25, the correct amount, on presentation.

Were we right in our action?

The rule is clear that the drawee, who pays a raised check, is entitled to recover the money paid from the person receiving payment, in the absence of negligence in giving notice after discovery of the forgery. The law covering such a case is quite fully stated in the JOURNAL OF THE AMERICAN BANKERS' ASSOCIATION for July at pages 33 and 34. Under the facts as stated by you, you had a right to charge the amount of the check back to the N Bank of K, Pa., from whom you received the check.

GARNISHMENT OF BANK FOR DEBT OF CHECKHOLDER

Opinion expressed that garnishment will not hold good under facts stated.

FROM ARKANSAS.—A has an account with the bank, and gives his check to B for \$500, who endorses it, over to C, in blank endorsement, in part payment for stock of goods, but before C presents the check for payment, he is sued by creditors to recover for account due for the goods, and through their attorneys, they serve a writ of garnishment on the bank for \$350, the amount of the debt C owes them, the writ saying "Anything in your possession belonging to C." The bank neglects to file answer, the matter comes into the court for settlement and the court orders that the bank pay to the creditor the amount of his claim, and pay the balance to C. Now, does this garnishment cover the funds mentioned? Is the garnishment good, as served, or should it be served to cover the funds of A? After the court makes this order, C holds the check out and keeps it in his possession. What is the bank's position if they pay this money on the order of the court, without having the check in their possession? Can C bring suit and recover from the bank, if later he presents the check for payment and payment is refused on the ground that the money for which this check is given to represent is paid out on the order of the court? If A instructs the bank to pay the check, does this protect the bank from any action C might take?

I do not think the garnishment as served is good, and the bank should appeal from the order of the court requiring it to pay the creditor of C the amount of his claim and the balance of A's check held by C to the latter.

The order proceeds on the assumption that the bank is indebted to C or has funds in its possession belonging to C. I think this assumption is erroneous. Even, however, if it be conceded that the bank is indebted to C, the indebtedness being upon a negotiable instrument, the order of court is inadequate and would undoubtedly be set aside by the higher court

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because it does not require the surrender of the check as a condition of making the payment, and without such surrender, or a provision for indemnity, the bank might be compelled to pay over again to any bona fide indorsee to whom C might transfer the check for value.

Such a case actually occurred in your State (Head v. Cole, 53 Ark. 523). The maker of a negotiable note was garnished as debtor of the payee before its maturity. The court ordered the maker to pay the creditor, which was done. The payee subsequently, but still before maturity, negotiated the note to a bona fide holder and the maker was held liable to pay over again to the latter. The following language of your Supreme Court is pertinent:

"Although the payee held this note, it was not due; and as no steps were taken to impound it, he was able to transfer it with all the evidence of ownership and authority; and the purchaser took it with no notice of the garnishment. * * * Where it appears that the garnishee is a debtor on commercial paper given to or held by the defendant the court should decline to render any judgement against the garnishee unless it first compels the delivery of the paper into court, or until the paper matures and it is made to appear that the defendant still holds it. That is to say the court should protect the garnishee against the danger of paying the debt twice. * * * It is a hardship that the appellees twice pay a debt; they might have averted the hardship by care and prudence. If the court improperly rendered judgment against them as garnishees they might have appealed."

Even assuming, therefore, that the bank is indebted to C upon this check the order of the court is defective and would be overturned on appeal. But I believe it is erroneous to hold that the bank is indebted to C at all or has any funds in its possession belonging to C. The bank is indebted to its depositor A. It has never been held in Arkansas, so far as I am aware, that the delivery of a check is an assignment *pro tanto* to the payee or holder of the funds in bank; and the great weight of authority is to the contrary. There is, therefore, no indebtedness to C for which the bank can be garnished by the latter's creditor and the order of the court that the bank must pay money which it owes A to a creditor of C will not be sustained by the higher court. The bank can settle its indebtedness to A by paying his check to the rightful holder, but it is entitled to the surrender of the check as a condition of so doing.

For the above reasons I think the garnishment will not hold good and the order will be set aside. I notice you say the bank neglected to file an answer. Should it be said that the bank, by not answering, admitted its indebtedness and rendered itself liable, the case of Nelson v. Blank, 67 Ark. 347 is to the effect that where a garnishee in an attachment suit has failed to answer satisfactorily, the proper practice is to institute suit against him, and a personal judgment against the garnishee in the original suit is not authorized.

BILLS OF LADING

Effect of disclaimers of liability for quantity, quality and delivery, stamped on drafts attached to bills of lading.

FROM GEORGIA:—We desire to ask your opinion as to what effect the inclosed indorsement of a rubber stamp would have on a draft, with bill of lading attached, in so far as it affects the liability of the bank so placing the impression.

[ENCLOSURE.]

"NOTICE:—This bank hereby notifies all parties concerned that it is not responsible for either the quantity, quality or delivery of goods covered by bill of lading attached to this draft or otherwise.

————— Bank of ————— Georgia."

The question whether the rubber stamp indorsement on the draft disclaiming liability for quantity, quality, etc., would bind the payer of the draft so as to relieve the bank from

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liability has not as yet been determined, so far as I am aware, by any court of last resort, and until such a decision has been rendered it is a somewhat uncertain question. It might be held on the one hand that such a notice was binding on the payer as a contract or condition upon which payment was received by the bank; on the other hand it might be held that the drawee had a right to pay the draft and disregard the condition.

In the case of *Leonhardt v. Small*, decided by the Supreme Court of Tennessee in October, 1906, the question was as to the liability of a national bank for defect in quality of hay, represented by a number of bills of lading attached to drafts, payment of the drafts having been received by the bank. All but three of the drafts had a stamped disclaimer of liability similar to the one above quoted. Under the law of Tennessee, the bank was not liable as guarantor of quantity, quality and delivery, the Supreme Court so holding, but the complainants contended that as all but three of the drafts had been stamped with the disclaimer of liability, this evidenced the intention of the bank that as to these three drafts a different rule should apply and the bank would be liable. The court, however, held this contention not sound, saying, "The indorsement was surplusage, and under it the bank was in no better condition than if it had not been made. We cannot infer that the bank intended to render itself liable for the three drafts by failing to stamp the restrictive indorsement on them. For all we can know, they were overlooked. But, however that may be, they were put in circulation without any agreement or contract that a purchaser would be liable for the goods, and we must give them the same status as any other draft of like character."

This is in effect holding that where there is no warrantor liability, the fact that a bank stamps certain drafts with a disclaimer of such liability and omits to stamp other drafts, will not make it liable upon the drafts not so stamped; that as to such drafts the stamp will be considered as surplusage and the general rule of non-liability will apply to all. It is not a ruling by a court in a state where the warrantor liability exists that the disclaimer stamp is sufficient to relieve the bank from liability otherwise existing. Whether this will be so held is as yet, as I have already said, uncertain.

Only three states down to the present time hold this warrantor liability, namely, Alabama, North Carolina and Mississippi. The contrary has been held in several other states and by the Supreme Court of the United States, and in Florida a statute expressly relieves the banks from this liability.



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President—E. S. TEFFT, Cashier First National Bank, Syracuse.
Vice-President—F. E. LYFORD, President First National Bank, Waverly.
Treasurer—DELMAR RUNKLE, Cashier People's National Bank, Hoosick Falls.
Secretary—E. O. ELDERIDGE, Cashier New Amsterdam National Bank, New York.
Assistant Secretary—WILLIAM J. HENRY, 92 West Broadway, New York City.

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NORTH CAROLINA.

President—H. W. JACKSON, Cashier Commercial National Bank, Raleigh.
Vice-Presidents—JOHN O. ELLINGTON, Vice-President Fourth National Bank, Fayetteville; W. C. WILKINSON, Cashier Merchants' and Farmers' National Bank, Charlotte; J. C. BRASWELL, President Planters' Bank, Rocky Mount.
Secretary and Treasurer—WILLIAM A. HUNT, Cashier Citizens' Bank, Henderson.

NORTH DAKOTA.

President—C. J. LORD, President First National Bank, Cando.
Vice-President—R. C. KITTEL, President First National Bank, Casselton.
Secretary—W. C. MACFADDEN, Cashier Commercial Bank, Fargo.
Treasurer—J. N. KUHLE, Cashier First National Bank, Towner.

OHIO.

President—A. E. RICE, President Croghan Bank and Savings Company, Fremont.
Vice-President—W. F. HOFFMAN, President Commercial National Bank, Columbus.
Secretary—S. B. RANKIN, President Bank of South Charleston, South Charleston. Office, 905-906 New First National Bank Building, Columbus.
Treasurer—W. J. WINTERS, Assistant Cashier Commercial National Bank, Coshocton.
Assistant Secretary—S. C. AEBUCKLE, 905-906 New First National Bank Building, Columbus.

OKLAHOMA.

President—A. D. KENNEDY, Cashier Bank of Commerce, Okmulgee.
First Vice-President—L. A. WILSON, President First National Bank, El Reno.
Second Vice-President—H. M. SPALDING, President People's Bank, North Enid.
Treasurer—W. S. PATTER, President First National Bank, Edmond.
Secretary—CHAS. L. ENGLE, Cashier Citizens' National Bank, El Reno.

OREGON.

President—MONTIE B. GWINN, President Pendleton Savings Bank, Pendleton.
Vice-President—R. W. SCHMEER, Cashier United States National Bank, Portland.
Treasurer—W. S. CROWELL, President First National Bank, Medford.
Secretary—J. L. HARTMAN, Hartman & Thompson, Bankers, Portland.

PENNSYLVANIA.

President—ELI S. REINHOLD, Director Union National Bank, Mahanoy City.
Vice-President—R. E. JAMES, President Easton Trust Co., Easton.
Secretary—D. S. KLOSS, Cashier First National Bank, Tyrone.
Treasurer—ROBERT J. STONEY, JR., Banker, Pittsburg.

SOUTH CAROLINA.

President—T. B. STACKHOUSE, Vice-President National Loan and Exchange Bank, Columbia.
Vice-President—D. D. MCCOLL, President Bank of Marlboro, Bennettsville.
Secretary and Treasurer—GILES L. WILSON, State Bank Examiner, Spartanburg.
Attorney—A. M. LEE, Charleston.

SOUTH DAKOTA.

President—J. R. HUGHES, President Potter County Bank, Gettysburg.
Vice-President—J. F. STEBBINS, of the Bank of Spearfish, Spearfish.
Secretary—J. E. PLATT, Cashier Security Bank, Clark.
Treasurer—W. H. PRATT, JR., Cashier Brule National Bank, Chamberlain.

TENNESSEE.

President—I. B. TIGRETT, Cashier Union Bank and Trust Company, Jackson.
Vice-Presidents—JOHN H. WATKINS, Memphis; S. T. JONES, Sweetwater; W. G. DILLON, Tracy City.
Treasurer—STERLING FORT, First National Bank, Clarksville.
Secretary—JOHN J. HEFLIN, Nashville.
General Counsel—W. D. WITHERSPOON, Nashville.

TEXAS.

President—T. C. YANTIS, President Brownwood National Bank, Brownwood.
Vice-Presidents—H. O. BOATWRIGHT, Bryan; J. HIRSCH, Corpus Christi; G. M. BOOTH, Taylor; J. W. BUTLER, Clifton; W. P. SKILLMAN, Sulphur Springs; L. L. SHIELD, Santa Anna; W. H. FOQUA, Amarillo.
Secretary—J. W. HOOPES, Cashier Citizens' Bank and Trust Company, Austin.
Treasurer—T. W. SLACK, Cashier First National Bank, Fort Worth.
Assistant Secretary—D. C. DUNN, Vice-President Merchants' National Bank, Houston.

VIRGINIA.

President—JOSEPH STEBBINS, President Bank of South Boston, South Boston.
Vice-Presidents—JOHN N. MILLER, JR., Richmond; H. A. WALKER, Staunton; JOHN W. WOODS, Roanoke; P. M. POLLARD, Petersburg; W. H. JONES, JR., Suffolk; W. B. VEST, Newport News; J. M. HURT, Blackstone; R. F. BOPES, Lynchburg; H. E. JONES, Bristol.
Secretary—N. P. GATLING, Lynchburg.
Treasurer—H. A. WILLIAMS, Assistant Cashier Bank of Richmond, Richmond.
Attorney—GEORGE BRYAN, Richmond.

WASHINGTON.

President—W. L. ADAMS, President First National Bank, Hoquiam.
Vice-President—A. F. ALBERTSON, Vice-President National Bank of Commerce, Tacoma.
Secretary—P. C. KAUFFMAN, Second Vice-President Fidelity Trust Company, Tacoma.
Treasurer—J. K. MCCORMICK, President Security State Bank, Palouse.

WEST VIRGINIA.

President—WILLIAM B. IRVINE, Vice-President National Bank of West Virginia at Wheeling.
Vice-Presidents—H. B. MCKINLEY, Salem; W. W. WOOD, Keyser; L. M. TULLY, Mt. Hope; C. D. BUMGARDNER, Parkersburg; C. M. GOHEN, Huntington.
Secretary and Treasurer—JOS. S. HILL, Cashier National City Bank, Charleston.

WISCONSIN.

President—E. C. ZIMMERMAN, Cashier Marathon County Bank, Wausau.
Vice-President—J. H. PUELICHER, Cashier Marshall & Ilsley Bank, Milwaukee.
Secretary—M. A. GRANTINGER, Cashier Merchants' and Manufacturers' Bank, Milwaukee.
Treasurer—EARLE PHASE, Cashier First National Bank, Grand Rapids.

WYOMING.

President—A. H. MARBLE, Vice-President Stock-grocers' National Bank, Cheyenne.
Vice-President—BENJ. F. PERKINS, President State Loan & Trust Co., Sheridan.
Treasurer—J. DE FOREST RICHARDS, Buffalo.
Secretary—HOWARD VAN DEUSEN, Cashier Rock Springs National Bank, Rock Springs.

PROTECTIVE COMMITTEE MONTHLY REPORT

NEW YORK, October 1, 1908.

Statistics from September 1, 1907 to September 30, 1908, of the work of the Pinkertons for the Association:

RECORD OF CRIMINALS ARRESTED, CONVICTED, SENTENCED, AWAITING TRIAL, BANK BURGLARIES, ETC.

BURGLARS—SPECIAL: Cases not disposed of arrested prior to September 1st, 2; released, 1; awaiting trial, 1.

BURGLARS—GENERAL: Cases not disposed of arrested prior to September 1st, 4; arrested since September 1st, 1; awaiting trial, 5.

FORGERS—SPECIAL: Cases not disposed of arrested prior to September 1st, 10; arrested since September 1st, 2; convicted, 1; sentenced, 1; specific terms, 1; years, 1-3; released, 1; awaiting trial, 10.

FORGERS—GENERAL: Cases not disposed of arrested prior to September 1st, 19; arrested since September 1st, 3; convicted, 3; sentenced, 3; specific terms, 3; years, 14; awaiting trial, 19.

HOLD-UPS—SPECIAL: Cases not disposed of arrested prior to September 1st, 4; awaiting trial, 4.

HOLD-UPS—GENERAL: Cases not disposed of arrested prior to September 1st, 5; awaiting trial, 5.

SNEAK THIEVES—SPECIAL: Cases not disposed of arrested prior to September 1st, 2; awaiting trial, 2.

Total cases not disposed of arrested prior to September 1st.....	46
Arrested since September 1st.....	6

52

Sentenced	4	6
Released	2	6

Awaiting trial.....	46
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BURGLARS—SPECIAL INVESTIGATIONS.

For the attempted burglary of the Salisbury Savings Bank (M), Salisbury, Mo., December 4, 1907.

W. J. Hobart and H. Willis were arrested at Higby, Mo., on December 5, 1907, charged with carrying concealed weapons; fined \$50.00 and sentenced to thirty days in the County Jail at Huntsville, Mo. Both were later identified as being connected with the attempted burglary of the above bank, for which they were tried on September 8th, the jury failing to convict.

Hobart was turned over to the county officials at Seneca, Kas., to be tried for the burglary of the State Bank of Goffs (N. M.), Goffs, Kas., January 13, 1904.

He is now in jail awaiting trial.

Awaiting Trial: W. J. Hobart, Seneca, Kas.

BURGLARS—GENERAL INVESTIGATIONS.

For the burglary of the People's State Bank (N. M), Monterey, Minn., April 15, 1908, loss \$1,500.

September 28th, at Minneapolis, Minn., the police arrested Ralph, alias "Sheeney" Holmes, for being concerned in the above burglary. He was subsequently taken to Fairmount, Minn., where he now awaits trial.

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His associate in this crime, J. H. Allen, was arrested, convicted, and is now serving a five-year sentence.

Awaiting Trial: H. Black, Springtown, Ark.; R. Holmes, Fairmount, Minn.; J. Martin, La Salle, Minn.; J. A. Nolan, Stephen, Minn.; J. Wren, Springtown, Ark.

FORGERS—SPECIAL INVESTIGATIONS.

For defrauding the Commercial National Bank (M), Chicago, Ill., during the early part of July, 1908 out of \$145.

Irving B. Chittenden was arrested at St. Paul, Minn., on July 21st, and returned to Blair, Neb., for trial, where he pleaded guilty and on September 21st was sentenced to a term of thirty days in jail, but sentence was suspended, he being released on parole.

For defrauding the Provident Trust Co. (M), Columbia City, Ind., September 3, 1908, of \$5,200.

September 16, Simon P. Thompson was arrested at Dunfee, Ind., and returned to Columbia City, where he now awaits trial.

For defrauding various merchants with bogus checks drawn on the First National Bank (M), Sewickley, Pa., during August, 1908.

September 4, A. J. Stonerod was arrested at Pittsburg, Pa., and on September 23d, convicted and sentenced to 15 months in the Allegheny County, Pa., Workhouse.

For defrauding the First National Bank (M), California, Pa., on May 12, 1908, out of \$35.

June 3, H. G. Paxton was arrested at Charleroi, Pa., and held in \$500, for trial on August 21. When his case was called he did not appear and his bail was declared forfeited. September 9th, he was located and arrested at Pocahontas, Va., and returned to Washington, Pa., where he now awaits trial.

Awaiting Trial: B. Gatewood, Parma, Idaho; J. J. Gaughan, Buffalo, N. Y.; F. A. Jordan, Amarillo, Texas; S. Kurzitski, Wyandotte, Mich.; H. G. Paxton, Washington, Pa.; E. H. Perrington, Cincinnati, Ohio; A. M. Potter, Detroit, Mich.; A. F. Rickey, Galesburg, Ill.; S. P. Thompson, Columbia City, Ind.; G. E. Weiler, New York, N. Y.

FORGERS—GENERAL INVESTIGATIONS.

For attempting to defraud an attorney at Bryan, Ohio, out of \$150 on December 7, 1906.

August 15, 1908, Bert A. Smith, alias W. H. Clark, was arrested at Montpelier, Ohio, and taken to Bryan, where he pleaded guilty to a charge of forgery on September 18, 1908, and was sentenced to a term of 7 years in the Columbus, Ohio, State Penitentiary.

For defrauding merchants at Chicago by means of worthless checks during August, 1908.

September 24, Max Karger, alias J. A. Weiser, was arrested in St. Louis, Mo. He was extradited by the Chicago police, and is now in jail at Chicago awaiting trial for the swindles committed by him.

For defrauding merchants in Minnesota and South Dakota by means of worthless checks during August and September, 1908.

September 5, Albert Duval, alias A. S. Stoeckle, was arrested at Duluth, Minn., where he is now in jail awaiting trial.

For defrauding the American National Bank (M), St. Paul, Minn., out of \$30 on September 19, 1908.

September 23, Charles Crane was arrested in St. Paul, and is now in jail in that city awaiting trial.

For defrauding the Hibernia Bank & Trust Co. (M), New Orleans, La., out of \$500 on February 15, 1908.

March 20, D. F. Roche was arrested at New York City, and subsequently extradited to New Orleans, where on September 21, 1908, he was convicted and sentenced to five years in the State Penitentiary.

For defrauding various lawyers in Pennsylvania, Connecticut and Delaware during 1907 and 1908.

August 24, 1908, John Shafer was arrested at Philadelphia, Pa., on one of numerous charges and held for trial, which resulted in his conviction, and sentenced to two years in State Prison on September 15, 1908.

Awaiting Trial: F. Bredo, Concord, N. H.; C. L. Cooper, Wheatland, N. D.; C. Crane, St. Paul, Minn.; J. Dickstein, New York, N. Y.; A. Duval, Duluth, Minn.; N. Dwyer, Burlington, Iowa; G. C. Goelitz, Chicago, Ill.; J. C. Harrington, Louisville, Ky.; E. J. Hoffman, Seattle, Wash.; H. Hoffman, Seattle, Wash.; A. W. Holt, New York, N. Y.; M. Karger, St. Louis, Mo.; J. P. Kelker, Chicago, Ill.; A. Labore, Clinton, Iowa; A. Larkin, Danville, Ky.; W. F. Meyer, New York, N. Y.; N. D. Parker, Shelbyville, Ind.; F. J. Pishion, Detroit, Mich.; H. E. Richards, Burlington, Iowa.

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HOLD-UPS—SPECIAL INVESTIGATIONS.

Awaiting Trial: J. Bulger, Wickliffe, Ky.; E. Elmendorph, Wickliffe, Ky.; S. Evitts, Wickliffe, Ky.; W. Husbands, Wickliffe, Ky.

HOLD-UPS—GENERAL INVESTIGATIONS.

Awaiting Trial: H. Coleman, Chautauqua, Kas.; L. Elerick, Hoffman, Okla.; J. Lee, Hoffman, Okla.; W. Tenant, Chautauqua, Kas.; M. Thornberry, Hoffman, Okla.

BANK SNEAKS—GENERAL INVESTIGATIONS.

Awaiting Trial: C. Cumiskey, New York, N. Y.; J. Price, New York, N. Y.

Burglaries upon non-members.....	6	Loss	\$1090.00 ***
Burglaries upon members.....	2	Loss	3000.00
			\$1910.00
Difference	4		

*** Loss of one non-member not reported to New York office up to writing of report.

MORTUARY RECORD OF MEMBERS FOR SEPTEMBER, 1908

THE following list is compiled from the financial journals. If, in future, our members will advise the JOURNAL of the decease of any officer or director of their Institution, giving name, title, age and date of death, the same will be published.

BAILEY, JOSEPH A., Director, People's Savings Bank & Trust Co., Memphis, Tenn.
 BRONSON, HENRY T., Director of the Nineteenth Ward Bank and the Van Norden Trust Co., New York, N. Y.
 CHRISTIAN, SAMUEL, Director of the Frankford Trust Co., Philadelphia, Pa.
 CLOUD, C. C., President, Hamilton County Bank, McLeansboro, Ill.
 CURTIS, MILTON E., Cashier, First National Bank, Fishkill on the Hudson, N. Y.
 DEBAUN, STEPHEN J., Cashier National City Bank, Haverstraw, N. Y.
 DOHSE, JOHN, Director of the Williamsburg Trust Co., Brooklyn, N. Y.
 DORT, O. C., President of the Citizens' National Bank of Keene, N. H.
 EMBSTRAETTER, JAMES E., Director of the Marine National Bank, Pittsburg, Pa.
 FULLERTON, HUMPHREY, For many years Cashier of the Merchants' Laclede National Bank, St. Louis, Mo.
 HARPER, J. M., President Bank of Conway Springs, Conway Springs, Kans.
 HEMMING, CHARLES L., Cashier, El Paso National Bank, Colorado Springs, Colo.
 HENRY, JACOB A., President Will County National Bank, Joliet, Ill.
 JONES, BEN. L., President First National Bank of Greenwood, Greenwood, Miss.
 KELLY, C. M., President Chemical Bank of Sweet Springs, Sweet Springs, Mo.
 LILIENHAL, PHILIP N., Manager Anglo-California Bank, San Francisco, Cal.
 MOORHEAD, WILLIAM J., Director of the People's Savings Bank, Pittsburg, Pa.
 PAUL, JAMES W., JR., Member of the Firm of Drexel & Co., Philadelphia, Pa., and J. P. Morgan & Co., New York, N. Y.
 PLATZ, ALBERT, Vice-President State Bank of La Crosse, La Crosse, Wis.
 WHITEHEAD, DR. CABEL, President Alaska Banking & Safe Deposit Co., Nome, Alaska.
 WHITLEY, FREDERIC E., Director of Farmers' & Mechanics' Bank, Jamestown, N. Y.
 WIGHTMAN, THOMAS, Vice-President First National Bank, Pittsburg, Pa.
 WRIGHT, MARION C., Director First State Bank & Trust Co., Cairo, Ill.

